

## Message Text

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PAGE 01 JOHANN 01467 301448Z

46

ACTION AF-08

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 INT-05 TRSE-00 L-03 OMB-01 DODE-00

PA-01 USIA-06 PRS-01 SP-02 /047 W

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P R 300915Z AUG 76

FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC PRIORITY 5042

INFO AMEMBASSY PRETORIA

AMEMBSSY GABORONE

AMEMBASSY MASERU

AMEMBASSY MBABANE

AMEMBASSY MAPUTO

AMCONSUL DURBAN

AMCONSUL CAPE TOWN

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E.O. 11652: N/A

TAGS: ELAB, PINS, EMIN, SF

SUBJECT: PRESENT SOUTH AFRICAN MINING SITUATION; REPUTED GOLD  
MINE CLOSURES

REF: A) STATE 207271; (NOTAL) B) JOHANNESBURG A-65

1. THE INFORMATION PROVIDED BELOW RESPONDS TO THAT PORTION  
OF REF A'S INQUIRY RELATED TO "PRESENT SOUTH AFRICAN MINING  
SITUATION, FOR EXAMPLE: THE REPUTED CLOSURE OF MARGINAL GOLD  
MINES". THE LABOR QUESTIONS RAISED IN THE SAME TELEGRAM WILL  
BE REPORTED SEPARATELY BY AMEMBASSY PRETORIA.

2. MINERALS OFFICER SWEETWOOD CURRENTLY WORKING ON IN-  
DEPTH STUDY OF GOLD MINING SITUATIO IN SOUTH AFRICA, WITH  
EMPHASIS ON (1) MINES LOSING MONEY AT PRESENT PRICES OF GOLD,  
(2) THOSE THAT WILL BE LOSERS BELOW A GOLD PRICE OF \$100 PER  
TROY OUNCE AND (3) THOSE THAT CANNOT MAKE A PROFIT IF GOLD

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PAGE 02 JOHANN 01467 301448Z

GOES BELOW \$90 PER OUNCE. ADDITIONALLY, WE PLAN TO

EVALUATE POSITION OF STATE-AIDED GOLD MINES AND TO OFFER OUTLOOK VIS-A-VIS QUESTION OF FUTURE SAG SUPPORT OF CERTAIN OF THESE QUESTIONABLE OPERATIONS. WHILE THESE DATA ARE NOT YET ASSEMBLED SUFFICIENTLY TO PERMIT A COMPLETE RESPONSE TO REF A REQUEST FOR INFORMATION ON "THE REPUTED CLOSURE OF MARGINAL GOLD MINES", AVAILABLE (PRELIMINARY) INDICATORS MAY BE OF INTERIM INTEREST.

3. DRAWING FROM THE 41 MEMBERS OF SOUTH AFRICA'S CHAMBER OF MINES AND 3 NON-MEMBERS (REF B), 16 MINES ARE CURRENTLY OPERATING AT WORKING COST LEVELS OF \$100-149 PER OUNCE, AND 4 HAVE REPORTED COSTS THAT FALL WITHIN THE \$90-100 RANGE. ALL OTHERS (24) WOULD APPEAR TO BE ABLE TO REMAIN PROFITABLE BELOW THE \$90 PLATEAU (SOME OF THESE ARE URANIUM PRODUCERS AS WELL, AND ROUTINELY USE "URANIUM PROFITS" TO OFFSET GOLD MINING COSTS).

4. THE FOLLOWING MINES ARE REPORTEDLY OPERATING AT LOSSES AT THE PRESENT TIME (WITH OPERATING COSTS BETWEEN \$144-149 PER OUNCE): FREE STATE SAAIPLAAS, EAST DAGGAFONTEIN, LORAIN, S.A. LAND, CITY DEEP, DURBAN DEEP, VILLAGE MAIN (A NON-MEMBER OF THE CHAMBER OF MINES) AND ERPM. OF THESE, CONFIRMED REPORTS ACKNOWLEDGE THAT ONLY CITY DEEP (OF RAND MINES PROPERTIES LTD.) AND VILLAGE MAIN (ANGLOVAAL) (REF B) ARE CURRENTLY SCHEDULED FOR CLOSURE IN 1976. ANGLO AMERICAN IS SUPPORTING ITS FREE STATE SAAIPLAAS MINE WITH IN-HOUSE FUNDS (WHILE MAKING EVERY EFFORT TO CUT COSTS AND INCREASE MINE-RUN ORE QUALITIES), WHEREAS THE OTHERS ARE FUNCTIONING UNDER "STATE AID" (VILLAGE MAIN'S STATE AID WAS TERMINATED ON JULY 1, 1976). MINES REPORTED TO BE CURRENTLY IN MARGINAL (OR BREAK-EVEN) CATEGORIES WITH COSTS IN THE RANGE OF \$100-144 ARE: SOUTH ROODEPOORT (A NON-MEMBER OF THE CHAMBER) VENTERSPOORT, FREDDIES CONS, VLAKFONTEIN, STILFONTEIN, WELKOM, GROOTVLEI AND MARIEVALE. THE LESLIE, WESTERN AREAS, ET CONS (A NON-MEMBER OF THE CHAMBER) AND DOORNFONTEIN MINES ARE CURRENTLY REPORTING COSTS IN THE \$90-100 RANGE, AND THE REMAINING 24 MINES (ALL CHAMBER MEMBERS; NOT OTHERWISE DESCRIBED INDIVIDUALLY HEREIN -- SEE REF B) ARE WELL WITHIN PROFIT-MAKING RANGES AT LESS THAN \$90 PER OUNCE. KNOWN STATE-AID RECIPIENTS ARE: BARBERTON, CITY DEEP, CONS MAIN REEF, CROWN MINES, LIMITED OFFICIAL USE

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PAGE 03 JOHANN 01467 301448Z

DURBAN DEEP, EAST DAGGAFONTEIN, ERPM, LORAIN, S.A. LAND, STILFONTEIN, WITWATERSRAND NIGEL AND WEST RAND CONS.

5. PRELIMINARY CONCLUSIONS ARE: (1) TWO MINES, ONLY, ARE EXPECTED TO CLOSE IN 1976 (CITY DEEP AND VILLAGE MAIN); (IN JULY, GENERAL MINING'S SOUTH ROODEPOORT MINE FILED STATUTORY 3-MONTH NOTICE OF ITS INTENTION TO END OPERATIONS, BUT ADMITTED THAT "ACTIVITY WILL NOT NECESSARILY STOP

IMMEDIATELY". MORE RECENTLY, THE MINERALS OFFICER CONFIRMED PRESS REPORTS THAT GENERAL MINING AND JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LTD. ("JOHNNIES") ARE NEGOTIATING TO MERGE GENERAL MINING'S WEST RAND CONS AND SOUTH ROODEPOORT WITH JOHNNIES' RANDFONETIN -- TO CREATE A "SUPERMINE" CAPABLE OF WITHSTANDING FORESEEABLE GOLD PRICE DECLINES.) (2) MOST OF THE MINES CURRENTLY SHOWING "LOSSES" (STATE-AIDED OR NOT) HAVE OPERATED AT INFLATED COST LEVELS INTENTIONALLY DURING THE PAST 2-3 YEARS -- TO MINE LOW GRADE ORES PREVIOUSLY BY-PASSED, TO DEVELOP NEW OREBODIES, INSTALL NEW EQUIPMENT, EXPAND OUTPUT, ETC. -- AND MAY BE EXPECTED TO DISPLAY LOWER COSTS BY YEAR-END 1976; (3) GOLD/URANIUM PRODUCERS (REF B) MAY BE EXPECTED TO LEAN MORE HEAVILY ON URANIUM AS AN ALTERNATE INCOME SOURCE -- PARTICULARLY OVER THE LONG RANGE; AND (4) MASSIVE, HIGH COST, EXPANSION PROGRAMS (UNEQUALED ELSEWHERE IN THE WORLD IN GOLD) WILL BE CONTINUED IN SOUTH AFRICA'S "GOOD" MINES EVEN THOUGH THE PRICE OF GOLD CONTINUES TO WEAKEN -- AS A WELL PROVED, AND EFFECTIVE MEANS OF LOWERING THE COST PER TON OF ORE VIA GREATER TONNAGES MOVED DURING A GIVEN PERIOD OF TIME THROUGH MECHANIZATION. SOUTH AFRICA'S GOLD MINING INDUSTRY THUS DOES NOT APPEAR TO BE "IN TROUBLE". IT IS UNDERGOING A TRANSITION; TO WEED OUT THE OBVIOUSLY UNPROFITABLE MINES, IMPROVE IMPORTANT PRODUCERS, AND TO BRING IN NEW MINES (LOWER GOLD PRICES NOTWITHSTANDING) (I.E. GOLD FIELDS' DEELKRAAL, AND ANGLO AMERICAN'S ELANDSRAND -- REF B). LABOR MATTERS WILL UNDERGO MODIFICATIONS AS WELL, TO PERMIT THE INSTALLATION OF MORE HIGHLY SOPHISTICATED EQUIPMENT AND TO ADAPT TO PLANNING CHANGES RELATIVE TO IMPORTED BLACK MINING LABOR FROM NEIGHBOING COUNTRIES; CLEARLY ON THE HORIZON. JOHNSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOLD, MINING INDUSTRY, BUSINESS FIRMS, CLOSURE OF OFFICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976JOHANN01467  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760329-0566  
**From:** JOHANNESBURG  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t1976088/aaaaafyu.tel  
**Line Count:** 145  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 207271, 76 JOHANNESBURG A-65  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 JUL 2004 by CunninFX>; APPROVED <13 OCT 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PRESENT SOUTH AFRICAN MINING SITUATION; REPUTED GOLD MINE CLOSURES  
**TAGS:** ELAB, PINS, EMIN, SF  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006